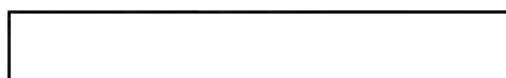


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25X1

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Central Intelligence Bulletin

CONTENTS

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25X1

USSR-SYRIA: The Soviets reportedly offered Syria large sums of aid during President Asad's Moscow visit. (Page 2)

ISRAEL: Labor Party to try to form new coalition government without holding elections. (Page 3)

JAPAN-CHINA-TAIWAN: Japan and China sign a civil air agreement. (Page 4)

IRAN-EGYPT: Tehran agrees to provide financial backing for Egypt's development and trade needs. (Page 5)

[REDACTED]

25X1

SAUDI ARABIA - KUWAIT - EGYPT - SYRIA: Saudi Arabia and Kuwait are again expressing support of Egypt and Syria with money. (Page 7)

FOR THE RECORD: (Page 8)

25X1

Approved For Release 2004/04/12 : CIA-RDP79T00975A026300280001-9

Next 1 Page(s) In Document Exempt

Approved For Release 2004/04/12 : CIA-RDP79T00975A026300280001-9

USSR-SYRIA: New reports support earlier indications that the Soviets offered President Asad large sums of aid during his recent visit to Moscow.

The USSR obviously went to great lengths to accommodate the Syrians. Several hundred million dollars in economic credits may have been dangled before them, but the extent of aid accepted by Syria is unclear.

These credits could be applied to completion of the Euphrates project, oil development, some industrial projects, and additional dams and rail lines. While obviously welcoming such aid, Asad is not likely to get over-involved with the USSR on economic projects and wants to keep his options open for Western assistance. Prior to Asad's Moscow trip, the Syrians had made a strong pitch for EC participation in Syrian industrial development. Moreover, with the recent influx of Arab aid, Syria is in a somewhat better position to choose its suppliers.

Largely as a result of political events in the Middle East, Syria has become the USSR's major recipient of military aid in the Third World. Moscow reportedly concluded a \$500-million arms pact with Damascus following the outbreak of the October war. The communiqué ending Asad's visit implied a new arms agreement had been concluded.

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***ISRAEL:** The Central Committee of Prime Minister Meir's Labor Party yesterday voted to try to form a new coalition government without holding new elections. It postponed until today balloting to name a successor for Mrs. Meir as party leader.

In a show of hands the committee narrowly defeated two motions that called for new elections, refusing to heed a warning by party strong-man Finance Minister Sapir that Labor had no chance of forming a new coalition government. Sapir, who conducted the talks that helped reconstitute Mrs. Meir's governing coalition last month, claimed that both of Labor's present partners, the National Religious Party and the Independent Liberal Party, are balking at the prospect of new coalition talks. The committee presumably could reverse its refusal to seek new elections if no agreement on a candidate to succeed Mrs. Meir is forthcoming.

The only declared candidates are Labor Minister Yizhak Rabin and Information Minister Shimon Peres. Foreign Minister Eban reportedly will declare himself a candidate before the deadline that ends at noon today. At this time, Rabin appears to be the front-runner, largely on the strength of Sapir's endorsement of him yesterday. Mrs. Meir, who did not attend the Central Committee meeting and is publicly adopting a hands off attitude, refused to endorse Rabin when he met with her yesterday.

Mrs. Meir is thought to favor the holding of new elections later this year. The situation is still extremely fluid and it is quite possible that someone, such as Mayor Almogi of Haifa, Justice Minister Zadok, or even Sapir, could yet emerge as a compromise candidate.

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

JAPAN-CHINA-TAIWAN: After more than a year of complex negotiations, Japan and China signed a civil aviation agreement on April 20, opening the way for regular air service between the two countries. The target date for inaugurating service is September 29, the second anniversary of their establishment of diplomatic relations.

The agreement is a major contribution to the consolidation of PRC-Japanese relations, but it has also opened a new breach between Tokyo and Taipei. A supplementary statement to the agreement by Japanese Foreign Minister Ohira noted that Tokyo now no longer recognizes the Nationalist airline or its flag insignia as that of a "state."

Taipei reacted strongly to the agreement and Ohira's statement by carrying out its earlier threat to terminate operations of China Air Lines and Japan Air Lines between Japan and Taiwan. Taipei also closed Taiwan's airspace to all Japanese aircraft.

Although disturbed by the Nationalists' action, the Tanaka government has reacted calmly. It is complying with Taiwan's demands but endeavoring to play down the situation to leave room for future negotiations. Ohira has described Taiwan's move as "regrettable," but he pledged Tokyo's continued desire to maintain good relations with Taipei through nongovernmental means. Ohira expressed his belief that the air link "could and should be restored" in time, noting that one reason for the long delay in signing the agreement with Peking was Tokyo's desire to find some way to preserve the commercial air ties with Taiwan.

Predictably, Taipei's action has drawn support from pro-Taiwan interests within the ruling Liberal Democratic Party, and Tanaka and Ohira seem certain to face further criticism from these elements. Nonetheless, the LDP's top executives intend to submit the air agreement to the Diet--probably this week--where favorable action seems assured.

IRAN-EGYPT: Tehran recently agreed in principle to provide financial backing for Egypt's industrial development and trade needs, a move designed to bring about closer political relations.

At the close of a meeting in Cairo on Tuesday, economic officials of the two countries agreed in principle to establish industrial projects in Egypt, financed with Iranian credits, to produce petrochemicals, fertilizers, textiles, and other commodities. Tehran also offered to extend import credits to Cairo.

President Sadat undoubtedly welcomes the Shah's financial overture, but it will take some time to work out the details of specific projects. Egypt's deputy prime minister will visit the Shah next month for follow-up discussions.

The agreements represent an extension of the Shah's policy, which has been evident since the end of the October war, of developing better relations with the moderate Arab states. The Shah attaches particular importance to Egypt as the most powerful and influential of the Arab states, and he was pleased with Cairo's assistance at the Lahore summit and its help in strengthening Tehran's relations with Oman and Sudan.

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SAUDI ARABIA - KUWAIT - EGYPT - SYRIA: Kuwait and Saudi Arabia--major financial contributors to Egypt and Syria during the October war--are again expressing support with recent gifts of money. The Kuwaiti Parliament on Saturday approved a grant of more than \$500 million to Syria, Egypt, and other "front-line" states. This comes on the heels of Saudi Arabia's cash handout of \$100 million to Egypt last Wednesday.

The amounts in question are not large for either Arab contributor, as both have substantial oil revenues. Both also regularly make payments to Egypt under agreements reached in Khartoum in 1967. Egypt annually receives \$91 million from Kuwait, and \$100 million from Saudi Arabia. [redacted]

FOR THE RECORD

Colombia: Liberal Party candidate Alfonso Lopez Michelsen has claimed victory in Colombia's presidential election. His closest rival, Conservative Party candidate Alvaro Gomez Hurtado, conceded defeat when a tally of almost half of the ballots cast showed that he was losing by a 2 to 1 ratio. Lopez, listed as the favorite by public opinion polls, campaigned on Colombia's inflation problem. [redacted]

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